

Beyond the headlines:

Russia + Ukraine conflict

// View from London / Warsaw / Brussels

It's now over three weeks since Vladimir Putin launched an invasion that, he believed, could achieve its objectives in short order. Instead, this week has seen Russia continue to fight a war on two fronts: a stalling and faltering offensive in Ukraine, as well as the domestic battle with the economic and social impact of the coordinated western sanctions.

It's certainly been a period of extraordinarily rapid movement on several fronts - except by Russia's military. The combination of logistical difficulties and fierce Ukrainian resistance have dogged its progress by land and, tragically, prompted its adoption of ever more barbaric tactics, including a noticeable increase in air operations.

Elsewhere, though, the pace of change - economically, politically, and strategically - has, remarkably, quickened since our first Beyond the Headlines. Only last week, for example, the search for new sources of hydrocarbons, to reduce reliance on Russia, has led to dramatic overtures being made to countries with disturbing human rights records but oil in abundance - including Venezuela, where the West is now seeking to deal with a regime that, only recently, it wanted to topple.

Equity Indexes

S&P 500 (future)		+1.87%
FTSE100		+2.83%
CAC40		+6.46%
DAX		+6.84%
MOEX		halted

Commodities

Brent Crude	\$98.61	-5.50%
N Gas 1m	\$4.805	+3.07%
Wheat	\$1.051	-1.43%
Copper	\$458.00	-0.14%
Platinum Spot	\$1,019.4	-5.37%
Gold Spot	\$1,909.2	-2.85%

FX

GBP - RUB	154.67	-20.29%
EUR - RUB	113.22	-20.53%
USD - RUB	105.39	-21.06%

Data weighed in 5-day intervals

Date: 17-03, 12.00 GMT*

In the meantime, Russia is facing its most serious economic crisis since the collapse of the Soviet Union (as well as its first international debt default since the Russian Revolution) while Europe is experiencing, simultaneously, its biggest humanitarian emergency since the Second World War.

Its scale has, understandably, prompted a wide range of responses - with an especially sharp contrast emerging between the initially hesitant, grudging and bureaucratic reaction of the UK government (in the form of its Home Office, under Priti Patel) and the impressively rapid and generous response of the British people themselves.

Ultimately, the people who matter most are those who've lost their homes, livelihoods and loved ones in Ukraine. We've duly included, again, a list of humanitarian organisations that would welcome your support.

But the crisis will affect politicians' fates as well. In France, for example, several of President Macron's opponents have been tainted by their past comments about Russia - further boosting his prospects of re-election. In the UK, meanwhile, the more serious the Ukrainian crisis becomes, the more trivial 'partygate' gradually appears - improving the Prime Minister's prospects of, yet again, 'riding out the storm'.

Nevertheless, one of Boris Johnson's potential successors, Rishi Sunak, will have his leadership credentials reassessed after delivering his Spring Statement next Wednesday. Among other challenges, he needs to address galloping inflation, growing threats to the economic recovery and a much-publicised 'cost of living crisis' which, unusually, fully lives up to its billing.

Never before, surely, has a Chancellor faced a second large-scale crisis so soon after emerging from his first - in the form of a worldwide pandemic. Indeed, extraordinarily, it currently seems hard to know whether the Russia/Ukraine conflict or Covid-19 (now causing renewed concern, especially in China) will ultimately affect our lives, economies and futures more profoundly.

As we argued at the outset, the pace of change has been astonishingly rapid over the past week - yet it is also, if anything, accelerating even more.

// Diplomacy and defence latest

- The Ukrainian and Russian delegations have reportedly made significant progress on a tentative **15-point peace plan**, which contains a ceasefire and Russian withdrawal if Kyiv declares neutrality and accepts limits on its armed forces — including being obliged to stay outside military alliances such as NATO and refrain from hosting foreign military bases on its territory. Although it seems as if progress is being made on the terms of a potential deal, Ukrainian officials remain understandably sceptical that Putin is fully committed to peace and worry that Moscow could be buying time to regroup its forces and then resume its offensive.
- After three weeks of fighting, the Kremlin's planned rapid military advance has largely stalled, while all Russian forces, including those from the far east, have seen greater success in the south of Ukraine, the rest of the country has seen a noticeable increase in **air operations**, with Russia intensifying its bombardment of the Ukrainian capital and the city of Kharkiv.
- Russia has also exercised its **ballistic missile submarines** and **land-mobile ballistic missiles** while also intensifying its rhetoric around use of biological and chemical weapons. Western capitals are concerned about the possible 'false-flag' use of these weapons — opening up the prospect of a 'retaliatory' response from Moscow including the possible use of a tactical nuclear weapon.
- In a sign of despair, Russia has reportedly requested **military aid from China**. If President Xi grants that request, China would in effect be entering a proxy war with the US and NATO nations that are backing Ukraine. That decision could spell the end for the globalised economic system that has fuelled China's extraordinary rise over the past 40 years. China has already warned of retaliation if it is hit by the Russia sanctions fallout.
- Meanwhile, Belarusian President, Alexander **Lukashenko hesitates** over sending troops into Ukraine. Lukashenko has allowed Russia to use Belarussian roads and rail to ease logistical problems in the northern Ukraine; however, he is reluctant to commit its 48,000-man military force due to the unpopularity of the war with the Belarussian people.
- NATO defence ministers met in Brussels on Wednesday. During the meeting, which was also attended by Ukrainian Defence Minister Reznikov, parties agreed to **step up defences along the alliance's eastern flank**. During the meeting, which was also attended by Ukrainian Defence Minister Reznikov, the parties agreed to step up defences along the alliance's eastern flank. Italian Prime

Minister Mario Draghi said that the EU will strengthen coordination on defence and arms procurement.

- **Lithuania fears being cut off** by Russia if the war in Ukraine expands into NATO territory. After Russian bombs fell on areas close to the EU border on Sunday, Lithuanian officials warned that their country could be a target due to its proximity to the Russian enclave - Kaliningrad Oblast and Belarus.
- Separately, multilateral talks to advance the **Iran nuclear agreement** continued in Vienna this past week, the P5+1 including the Russian government have a renewed urgency to reach a deal, not least because of the eventual unlocking of Iranian crude oil. Separately, multilateral talks to advance the Iran nuclear agreement continued in Vienna this past week; the P5+1 including the Russian government have a renewed urgency to reach a deal, not least because of the eventual unlocking of Iranian crude oil.

// Economic impact

- The UK has announced **further economic sanctions** against Russia. The new wave of sanctions includes a ban on exports to Russia of high-end luxury goods, as well as new import tariffs on key products which represent a 35%-point hike on current rates. Along with the EU and other WTO members, the UK agreed to deny Russia's access to 'Most Favoured Nation' (MFN) WTO's tariff treatment. Although the removal of MFN has more of a symbolic impact than a real economic one, the fact that the action has been co-ordinated with further sanctions and increased import
- The UK also added a further **370 Russian and Belarussian individuals** - 51 of whom are Russian oligarchs and some of their family members - to its sanctions list. After the news that squatters occupied a sanctioned oligarch's London mansion, Michael Gove has hinted that such individuals' properties could be used to house Ukrainian refugees.
- The EU agreed on a **fourth package of sanctions** against Russia. They seek to prohibit certain transactions, ban the imports of steel and luxury products as well as banning new investments across the Russian energy sector. In addition, the existing list of sanctioned stakeholders has been extended. Finally, EU credit rating agencies have banned the rating of Russian entities.
- While the EU has been showing a strong consensus since the beginning of the conflict, the **energy sector** stands out as a major point of contention. While Baltic

Member States have been calling for an embargo on oil and gas exports, EU leaders rejected the idea during their summit in Versailles exposing a red line' for Member States such as Germany and Italy. Consequently, instead of a short-term ban, the European Commission proposed a new initiative ('RePowerEU') which aims at cutting Russian gas dependence before 2030.

- Pakistan plans to finalise a Russian-built gas pipeline in defiance of Western pressure to isolate Russia, in a move that would boost the faltering Russian economy. The deal to build the '**Pakistan Stream**' pipeline is almost complete.
- Also, the UK Prime Minister Boris Johnson is currently lobbying United Arab Emirates and Saudi Arabia to **increase oil production** and attempt to secure major investment in green energy.

// Political Impact

- The United Nations says that **three million refugees** have already fled Ukraine in the wake of Russia's invasion.
- Following the widely criticised response to the humanitarian crisis, the UK Foreign Secretary, Liz Truss, has confirmed that from next week Ukrainian refugees will arrive in Britain as part of the '**Homes for Ukraine**' scheme. More than 120,000 Britons have signalled their interest in hosting refugees for a minimum of six months. They have been joined by several firms offering jobs and services including Tesco, Marks & Spencer, AstraZeneca and Nestlé.
- In a continued show of **solidarity**, the leaders of Poland, the Czech Republic and Slovenia met with their Ukrainian counterpart in Kyiv. Other senior officials including foreign ministers of Baltic states also attended. Notably, the Brussels stressed on Wednesday morning that the leaders were not attending on behalf of the EU despite remarks made by Ukraine's Prime Minister that the delegation were visiting on behalf of the EU Council.
- The US announced a new **\$800m aid** package for Ukraine, as well as unanimously passing a resolution late on Tuesday night which condemned Russian president Vladimir Putin as a **war criminal** — a rare show of unity in the deeply divided Congress.
- Meanwhile, in another historic address, this time to the US Congress, Ukraine's President Volodymyr **Zelensky pleaded for the US to enforce a no-fly zone** or provide fighter jets or other means to fend off Russia's attack on his country, and

impose harsher economic sanctions on Moscow. Zelensky called on Americans to remember the attacks on Pearl Harbor and the Twin Towers.

// The week ahead

- United States President, Joe Biden has announced plans to travel to Europe next week for talks with NATO allies.
- The UK Finance Minister, Chancellor Rishi Sunak will deliver the Spring Statement on 23 March alongside the latest Office for Budget Responsibility (OBR) forecasts, these are widely expected to upgrade forecasts, giving the Chancellor the option to increase public spending while staying within his limits, after the Treasury received almost £9bn more in tax receipts in January 2022 than the previous year.
- The UK Government is poised to announce its new Energy Supply Strategy, which would make the UK independent in its energy supply, during the week beginning 21 March. The strategy was promised by the end of the week but is yet to materialise, with media reports that there is a rift between Johnson's views and those held by the Department for Business, Energy and Industrial Strategy (BEIS) most senior staff on the issue of fracking.
- European Union heads of state are set to meet at the 24-25 March EU Council summit, coinciding with the visit of US President Joe Biden - during which further measures addressing European energy independence are set to be agreed upon following a number of proposals from the European Commission. Additional commitments towards the elusive goal of 'strategic autonomy' will also likely be made on critical raw materials, semi-conductors, health, digital and food.

// How you can help

Several organisations are taking concrete actions to support Ukrainians, either by making donations or implementing supportive measures directly connected to their businesses. Please find below a non-exhaustive list of verified charitable organisations that are taking donations to help directly in Ukraine, as well as in neighbouring countries which are accepting Ukrainian refugees.

Ukrainian Red Cross Society	has launched an emergency appeal and is asking for donations so that it can respond to existing and emerging humanitarian needs - providing food, first aid, medicines and shelter.
UNHCR	is the UN Refugee Agency's is collecting donations that will help them provide relief items and emergency payments for the most vulnerable individuals, including winter relief and blankets and emergency accommodation.
Unicef	is working to support 7.5 million Ukrainian children at risk, with donations helping to provide families with access to clean water and nutritious food.
Hope and Aid Direct	is a UK-based humanitarian charity which obtains the aid that is necessary and drives it directly, in convoys of aid trucks, to those who need it most.
SOS Children's Village	are currently running an urgent appeal to provide relocation support and shelter for Ukrainian children and families, as well as their own staff.
The Disasters Emergency Committee (DEC)	brings together 15 leading aid charities to raise funds quickly and efficiently when large-scale disasters hit countries which, for whatever reason, lack the capacity to respond.
Children on the Edge	is helping families arriving into Moldova and Romania. They have facilities near the Ukrainian border in Chişinău, Moldova and in Siret, Romania; providing a safe place to stay and psychosocial support.

ShelterBox	provides life-saving aid for families affected by the crisis in Ukraine, as well as other countries where it operates (such as Syria).
Peace Direct	is an international charity dedicated to supporting local people to stop war and build lasting peace in some of the world's most fragile countries.
Goods for Good (UK)	have set up a humanitarian aid hub on Poland's border with Ukraine and have trucks ready to go - filled with relief aid provided by British businesses and community donations for Ukrainian refugees. A donation of £10 would help them transport £150-worth of goods.

// Further Information

Our Team are happy to further elaborate on our assessment and assist clients in navigating the crisis as the situation develops.

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